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RUEHCN/AMCONSUL CHENGDU 3086
RUEHGZ/AMCONSUL GUANGZHOU 0232
RUEHHK/AMCONSUL HONG KONG 0591
RUEHGH/AMCONSUL SHANGHAI 2541
RUEHSH/AMCONSUL SHENYANG 7034
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000543

SIPDIS

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SUBJECT: STRAITS EXCHANGE FOUNDATION (SEF) CHAIRMAN P. K.
CHIANG OFFERS RESIGNATION; PRESIDENT MA ASKS HIM TO STAY ON

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: Straits Exchange Foundation (SEF) Chairman P. K. Chiang tendered his resignation to President Ma Ying-jeou on May 4, citing his age (76) and physical condition. On May 6, Ma expressed his strong hope that Chiang would stay on and told the media he had rejected Chiang's resignation. Chiang's resignation offer did not involve any differences over cross-Straits policy. Rather, some critics had charged Chiang with conflicts of interest relating to business dealings with China by his family members and to his alleged lobbying on behalf of a relative for appointment as general manager of the Taiwan Sugar Corporation. Chiang's resignation offer was clearly related to his unhappiness over the criticism and pressure on him and his family. Chiang may also have been testing whether Ma wanted him to stay on or whether he should, for the good of the party, resign to make way for Wu Poh-hsiung. Note: It appears increasingly likely that Ma may take up the KMT chairmanship himself this summer, replacing Wu. There have been some rumors in the media that Ma might be hoping to placate Wu by moving him over to the SEF chairman position. End Summary.

¶2. (SBU) Straits Exchange Foundation (SEF) Chairman P. K. Chiang confirmed publicly at the Legislative Yuan (LY) on May 6 that he had tendered his resignation both orally and in writing to President Ma Ying-jeou on May 4. Chiang stressed this was not a sudden decision, noting that he had already submitted his resignation orally last December 2, but President Ma had asked him to stay on to complete the current stage of work. Now, Chiang noted, he had fulfilled his work by completing nine cross-Straits agreements and one joint statement with the PRC's Association for Relations Across the Taiwan Strait (ARATS). Chiang cited a quotation that "leaving office is more important than entering office," and noted he had also considered his age (76) and physical condition in making his decision to offer his resignation.

¶3. (SBU) In his remarks to the media at the LY, Chiang also said that Ma had "of course" told him he absolutely could not resign, that this was a critical period, and that Chiang was doing a very good job. Chiang responded to Ma by explaining his physical condition. Ma asked Chiang to take a vacation and reconsider, and he also tried to give the resignation letter back to Chiang. Chiang then said, "Mr. President, Please look carefully at the content of my letter

resignation, and perhaps you will change your mind."

14. (SBU) Presidential Office Spokesman Wang Yu-chi said on May 6 that President Ma's attitude on this issue was very clear: full efforts would be made to persuade Chiang to stay on, and Ma would not approve Chiang's letter of resignation. During a television interview the same day, Ma, noting he had talked to Chiang on the phone that morning, said he would not let Chiang go. Ma said he had encouraged Chiang to stand up to the pressure, and that Chiang had responded that he could take the pressure himself but he could not bear to see his family suffer. Ma told the television interviewer, "I asked Chiang not to come up with this idea (about resigning) again, and I returned his resignation letter on the spot."

15. (C) SEF Deputy Secretary General Maa Shaw-chang confirmed to AIT that Chiang had in fact submitted his resignation to President Ma and that SEF was waiting to see what would happen. If Ma were eventually to approve Chiang's resignation, Maa said, it would still have to go through the SEF Board of Directors to take effect.

Comment

16. (C) Chiang has been a target of criticism over business dealings with China by his family members and over his alleged lobbying on behalf of his nephew Chen Ching-pin to be promoted from deputy to general manager of the state-run Taiwan Sugar Corporation. Chiang was clearly unhappy with criticisms that touched on his family members as well as

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himself. A series of press articles earlier this year carried rumors that Ma was allegedly displeased with Chiang's apparent conflicts of interest and was thinking of replacing Chiang with current KMT Chairman Wu Poh-hsiung. There are no indications, however, that would suggest Ma had anything to do with Chiang's resignation offer. Also, there are no apparent disagreements over cross-Strait policy between Chiang and President Ma.

17. (C) Comment continued: P. K. Chiang may have made his very public resignation offer in part to test whether Ma wanted him to stay on or to step down to make way for Wu Poh-hsiung. It appears increasingly likely that Ma Ying-jeou may take up the KMT party chairmanship this summer, replacing Wu. Appointing Wu as SEF chairman could in theory be one way to placate Wu for stepping down as KMT chairman. There have also been suggestions that Wu may be placated by having his son, Taoyuan County Legislator Wu Chih-yang, nominated as the KMT candidate to run for Taoyuan County magistrate.
YOUNG